

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the  
Commission's Own Motion to Adopt New  
Safety and Reliability Regulations for  
Natural Gas Transmission and Distribution  
Pipelines and Related Ratemaking  
Mechanisms.

R. 11-02-019  
(Filed February 24, 2011)

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO  
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER FERRON  
IMPOSING SANCTIONS FOR VIOLATION OF RULE 1.1 OF THE COMMISSION'S  
RULES OF PRACTICE AND PROCEDURE**

DENNIS J. HERRERA  
City Attorney  
THERESA L. MUELLER  
AUSTIN M. YANG

Attorneys for:  
THE CITY AND COUNTY OF  
SAN FRANCISCO  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94102-4682  
Telephone: (415) 554-6761  
Facsimile: (415) 554-4763  
E-Mail: [austin.yang@sfgov.org](mailto:austin.yang@sfgov.org)

December 2, 2013

## I. INTRODUCTION

Pursuant to the Commission's Rule of Practice and Procedure 14.3(d), the City and County of San Francisco ("San Francisco") submits these reply comments on the Alternate Proposed Decision of Commissioner Ferron Imposing Sanctions For Violation Of Rule 1.1 Of the Commission's Rules of Practice and Procedure (the "Alternate Proposed Decision"). San Francisco responds to comments filed by PG&E, San Bruno, the Office of Ratepayer Advocates ("ORA"), and TURN.

San Francisco supports the the Alternate Proposed Decision. San Francisco also supports the comments from San Bruno, ORA and TURN that PG&E had an obligation to disclose public safety issues to the Commission in a timely fashion and that PG&E's five month delay in disclosing the discrepancy in its records was unreasonable. San Francisco also supports TURN's proposed modification to page 10 of the Alternate Proposed Decision to remove unnecessary language.

### A. **PG&E Should Have Disclosed Its Discovery of "Known Errors" to the Commission No Later Than November 16, 2013.**

San Bruno, ORA and TURN each argue that PG&E should have disclosed the "known errors" to the Commission and the public when its senior management became aware of the records discrepancy for segment 109 of Line 147. San Francisco agrees with this recommendation. PG&E, in contrast, asserts that the Alternate Proposed Decision's "findings regarding PG&E management's actions and conclusions consist of baseless conjecture."<sup>1</sup>

Although PG&E attempts to marshal procedural arguments that the Alternate Proposed Decision reaches beyond the evidentiary record, there is ample evidence in the record to show that the continuing violations should have begun as early as November 14, 2012, two days earlier than the Alternate Proposed Decision begins the continuing violation. PG&E admitted that the

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<sup>1</sup> PG&E Opening Comments on Alternate Proposed Decision at p. 3.

pipeline engineer who discovered the pipeline discrepancy on segment 109 of Line 147 shared his discovery with others in PG&E via email on November 14, 2012.<sup>2</sup> According to PG&E, “the pipeline engineer sent an email notification of the leak repair and his observation of a potential discrepancy with the PFL [Pipeline Features List] for Line 147 to various departments, including MAOP Validation, Integrity Management, Operations, PSEP, Hydrotest, and Gas Planning.”<sup>3</sup> Based on this discovery, PG&E then began to take a number of remedial actions, including an investigation of why the records were incorrect, a re-review of the specifications for Line 147, and revalidation of the appropriate MAOP.<sup>4</sup> When PG&E took these actions, it knew it had a problem and it should have disclosed these issues to the Commission and the public.

Given the purpose of the reporting requirements in the federal regulations and General Order 112-E for safety-related conditions,<sup>5</sup> PG&E should have disclosed this records discrepancy as early as November, 14, 2013, the date the pipeline engineer emailed the major pipeline groups within PG&E about this is problem. Based on the discovered “records discrepancy,” PG&E admitted that the operating pressure for segment 109 on Line 147 was not commensurate with the class location.<sup>6</sup> In PG&E’s words “we concluded that applying a conservative joint efficiency factor of 0.8 rather than 1.0 for DSAW still resulted in an MAOP above 365 psig, but would require the pipe to operate ‘one-class-out’ pursuant to the strength test provisions in 49 C.F.R. § 192.611.”<sup>7</sup> It is important to note that PG&E now admits that its previous interpretation of operating pipelines “one class out” was unlawful.<sup>8</sup> In essence, PG&E had been operating the pipeline above the appropriate maximum allowable operating pressure for many years.

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<sup>2</sup> August 30, 2013 Verified Statement of PG&E at ¶ 33.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> See 49 CFR Part 191 and General Order 112-E Section 124.

<sup>6</sup> August 30, 2013 Verified Statement of PG&E at ¶ 33.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.* ¶ 59 (“As a result, PG&E came to the conclusion that it cannot rely on a post-1974 strength test to operate a segment one-class-out if that segment experienced a class change prior to 1971. We reached this conclusion, not as a matter of public safety, but based on a strict reading of the federal code sections.”) and ¶ 62 (“However, as discussed above, our interpretation of the code

The purpose of the safety-related conditions reporting requirement is for operators to inform the regulators of potential problems as soon as possible. In order to comply with the purpose of the regulations, when PG&E realized that it was exceeding the maximum allowable operating pressure for segment 109 of Line 147, it should have promptly informed the Commission and the public.

Dated: December 2, 2013

Respectfully submitted,

DENNIS J. HERRERA  
City Attorney  
THERESA L. MUELLER  
Chief Energy and Telecommunications Deputy  
AUSTIN M. YANG  
Deputy City Attorney

By:           /S/            
AUSTIN M. YANG

Attorneys for:  
CITY AND COUNTY OF SAN FRANCISCO  
City Hall, Room 234  
1 Dr. Carlton B. Goodlett Place  
San Francisco, California 94102-4682  
Telephone: (415) 554-6761  
Facsimile: (415) 554-4763  
E-Mail: [austin.yang@sfgov.org](mailto:austin.yang@sfgov.org)

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has changed, and we are no longer relying on the 2011 strength test to be able to operate one-class-out.”).

CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4700.

On December 2, 2013, I served:

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO  
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER FERRON  
IMPOSING SANCTIONS FOR VIOLATION OF RULE 1.1 OF THE COMMISSION'S  
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by electronic mail on all parties on the attached Service list in CPUC Proceeding

No. R.11-02-019 The following addressee(s) without an email address were served:

- BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

JIM MCQUISTON  
MCQUISTON ASSOCIATES  
6212 YUCCA STREET  
LOS ANGELES, CA 90028-5223

TRANSMISSION EVALUATION UNIT  
CALIFORNIA ENERGY COMMISSION  
1516 NINTH STREET, MS-46  
SACRAMENTO, CA 95814-5512

ROCHELLE ALEXANDER  
445 VALVERDE DRIVE  
SOUTH SAN FRANCISCO, CA 94080

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on December 2, 2013, at San Francisco, California.

/S/  
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KIANA V. DAVIS

Email Service List R.11-02-019

anginc@goldrush.com  
StephanieC@greenlining.org  
SLG0@pge.com  
pucservice@dralegal.org  
jboehme@nicor.com  
michelle.d.grant@dynegey.com  
Ethan.Jones@Valero.com  
justin.brown@swgas.com  
STomkins@semprautilities.com  
info@lbcgla.com  
npedersen@hanmor.com  
bob.gorham@fire.ca.gov  
douglas.porter@sce.com  
carlwood@uwua.net  
maguirre@amslawyers.com  
rkohut@sandiego.gov  
ek@a-klaw.com  
Faith.MabuhayAlliance@gmail.com  
cjackson@sanbruno.ca.gov  
grubens@adcl.com  
rkoss@adamsbroadwell.com  
djk@cpuc.ca.gov  
tbo@cpuc.ca.gov  
austin.yang@sfgov.org  
marcel@turn.org  
cpj2@pge.com  
sgs@dcbsf.com  
bcragg@goodinmacbride.com  
nformosa@winston.com  
bkc7@pge.com  
smeyers@meyersnave.com  
lencanty@BlackEconomicCouncil.org  
service@cforat.org  
michaelboyd@sbcglobal.net  
berlin@susieberlinlaw.com  
dcarroll@downeybrand.com  
westgas@aol.com  
wwester@smud.org  
ajahns@jahnsatlaw.com  
Dave.Weber@nwnatural.com  
jason.dubchak@niskapartners.com  
ESelmon@Jemzar.com  
a2mx@pge.com  
artfrias@uwua.net  
cadowney@cadowneylaw.com  
cassandra.sweet@dowjones.com  
ssc.chrissy@gmail.com  
christine.tam@cityofpaloalto.org  
CMM6@pge.com  
efn2@pge.com  
ellen.isaacs@asm.ca.gov  
enriqueg@greenlining.org

Email Service List R.11-02-019

gburke@ap.org  
gclark@lodistorage.com  
jheckler@levincap.com  
jjav@pge.com  
j2ti@pge.com  
jleslie@McKennaLong.com  
j7se@pge.com  
julien.dumoulin-smith@ubs.com  
karla.Dailey@CityofPaloAlto.org  
kmmj@pge.com  
lauren.duke@db.com  
mchediak@bloomberg.net  
MNBs@pge.com  
wmc@a-klaw.com  
unionnancy@gmail.com  
nsuetake@turn.org  
nes@a-klaw.com  
ppatterson2@nyc.rr.com  
rajeev.lalwani@morganstanley.com  
tcollier@buckeye.com  
timothyrea@hotmail.com  
ttutt@smud.org  
mrw@mrwassoc.com  
regrelcpuccases@pge.com  
dwtcpucdockets@dwt.com  
GasOpsSupport@pge.com  
dmarcus2@sbcglobal.net  
scott.senchak@decade-llc.com  
mfallon@taloncap.com  
jonathan.arnold@db.com  
kfallon@sirfunds.com  
agay@carlsoncapital.com  
ted@PointState.com  
jdangelo@catapult-llc.com  
mgoldenberg@luminusmgmt.com  
NStein@LevinCap.com  
John.Apgar@baml.com  
stephen.byrd@morganstanley.com  
NKhumawala@WolfeTrahan.com  
randall@nexusamllc.com  
andrew.greenberg@cwt.com  
wschmidt@buckeye.com  
ken.irvin@cwt.com  
malp@pge.com  
terence.healey@cwt.com  
daniel.j.brink@exxonmobil.com  
kirby.bosley@jpmorgan.com  
paul.gendron@JPMorgan.com  
Paul.Tramonte@jpmorgan.com  
catherine.mazzeo@swgas.com  
christy.berger@swgas.com  
jim.mathews@swgas.com

Email Service List R.11-02-019

Priscila.Kasha@ladwp.com  
robert.pettinato@ladwp.com  
GHealy@semprautilities.com  
JLSalazar@SempraUtilities.com  
Naftab@semprautilities.com  
SHruby@SempraUtilities.com  
MFranco@SempraUtilities.com  
DNg@SempraUtilities.com  
RPrince@SempraUtilities.com  
rothenergy@sbcglobal.net  
dtorres@sogate.org  
pat.jackson@teaminc.com  
klatt@energyattorney.com  
michael.alexander@sce.com  
sendo@cityofpasadena.net  
eklinkner@cityofpasadena.net  
slins@ci.glendale.ca.us  
douglass@energyattorney.com  
LBleveys@burbankca.gov  
rmorillo@ci.burbank.ca.us  
carneycomic@sbcglobal.net  
angelica.morales@sce.com  
case.admin@sce.com  
Francis.McNulty@sce.com  
gloria.ing@sce.com  
Robert.F.Lemoine@sce.com  
janet.combs@sce.com  
patricia.borchmann@yahoo.com  
marcie.milner@shell.com  
CentralFiles@SempraUtilities.com  
sjkeene@iid.com  
jhunter@riversideca.gov  
waltowaiji@tustinca.org  
cguss@anaheim.net  
ssciortino@anaheim.net  
laura@messimer.com  
RobertGnaizda@gmail.com  
kfabry@sanbruno.ca.gov  
gcaldwell@sanbruno.ca.gov  
jmaltbie@cityofsancarlos.org  
JMauldin@AdamsBroadwell.com  
mdjoseph@adamsbroadwell.com  
joc@cpuc.ca.gov  
theresa.mueller@sfgov.org  
njohnson@consumercal.org  
bfinkelstein@turn.org  
tlong@turn.org  
apa6@pge.com  
bts1@pge.com  
dlct@pge.com  
jldavis@dcbsf.com  
j1pc@pge.com



Email Service List R.11-02-019

jmalkin@orrick.com  
filings@a-klaw.com  
kck5@pge.com  
nes@a-klaw.com  
SRRd@pge.com  
tnhc@pge.com  
wvm3@pge.com  
aaron.joseph.lewis@gmail.com  
jarmstrong@goodinmacbride.com  
mmattes@nossaman.com  
jkarp@winston.com  
cem@newsdata.com  
AXVU@pge.com  
grant.kolling@cityofpaloalto.org  
Jeff.cardenas@asm.ca.gov  
Service@spurr.org  
sean.beatty@nrgenergy.com  
kowalewskia@calpine.com  
bstrottman@meyersnave.com  
jmullan@meyersnave.com  
cathy@barkovichandyap.com  
tomb@crossborderenergy.com  
rrussell@lodistorage.com  
billjulian@sbcglobal.net  
bburns@caiso.com  
gvanpelt@caiso.com  
Vrogers1994@yahoo.com  
kelder@aspenerg.com  
john@clfp.com  
atrowbridge@daycartermurphy.com  
kuprewicz@comcast.net  
carolina.contreras@cpuc.ca.gov  
kpp@cpuc.ca.gov  
AppRhg@cpuc.ca.gov  
nws@cpuc.ca.gov  
tony.marino@sen.ca.gov  
SanBrunoGasSafety@cpuc.ca.gov  
aad@cpuc.ca.gov  
aly@cpuc.ca.gov  
ag5@cpuc.ca.gov  
ako@cpuc.ca.gov  
ang@cpuc.ca.gov  
caj@cpuc.ca.gov  
chh@cpuc.ca.gov  
cjp@cpuc.ca.gov  
dbp@cpuc.ca.gov  
edd@cpuc.ca.gov  
emm@cpuc.ca.gov  
eim@cpuc.ca.gov  
cpe@cpuc.ca.gov  
hym@cpuc.ca.gov  
jzr@cpuc.ca.gov

Email Service List R.11-02-019

jf2@cpuc.ca.gov  
jmh@cpuc.ca.gov  
kcl@cpuc.ca.gov  
kab@cpuc.ca.gov  
ljt@cpuc.ca.gov  
mpo@cpuc.ca.gov  
mab@cpuc.ca.gov  
map@cpuc.ca.gov  
mk3@cpuc.ca.gov  
nb2@cpuc.ca.gov  
oe2@cpuc.ca.gov  
pap@cpuc.ca.gov  
pzs@cpuc.ca.gov  
ram@cpuc.ca.gov  
rmp@cpuc.ca.gov  
skh@cpuc.ca.gov  
sni@cpuc.ca.gov  
tcr@cpuc.ca.gov  
ttf@cpuc.ca.gov  
janill.richards@doj.ca.gov  
rkennedy@energy.state.ca.us  
sbender@energy.state.ca.us  
ms8@cpuc.ca.gov